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DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
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DATE MARCH 14, 1984	CLASSIFICATION CONFIDENTIAL	PRECEDENCE ROUTINE
#SS*TRR Y6 Y7 Y9 Y11 Y16 RUEHDCIY23 H0158 0750306TYC		
Rsr142120Z MAR 84		
FM	FM DIRECTOR FBI	
TO	TO Y6/DIRECTOR CIA Y7/NATIONAL SECURITY AGENCY Y9/DIRECTOR DEFENSE INTELLIGENCE AGENCY Y11/SECRETARY OF STATE ATTN: DIRECTOR BUREAU OF INTELLIGENCE AND RESEARCH Y16/DEPARTMENT OF TREASURY DEPARTMENT OF COMMERCE	
BT	BT	
CONFIDENTIAL		
WARNING: FOREIGN INTELLIGENCE INFORMATION; THIS COMMUNICATION IS CLASSIFIED "CONFIDENTIAL" IN ITS ENTIRETY.		
SERIAL: 3B-AR-400-1-84		
COUNTRY: ARGENTINA		
DOI: DECEMBER, 1983 - JANUARY, 1984		
SUBJ: ARGENTINA'S EXTERNAL DEBT.		
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APP: <i>BD</i>	DRAFTED BY DB: <i>pp</i> {4}	DATE 3/14/84
	ROOM 4084/5	TELE EXT. 4646/232

1 - Mr. D. W. Szady
1 - Mrs. E. N. Baker
1 - Mr. D. Boyce

SEE NOTE PAGE 7

MAR 20 1984

Declassified Case: LHM-54739 Date: 10-25-2013

64 MAY 1984 F-17

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS CENTER0347 zma
MAR 15 19845-Boyce
Terry

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SOURCE: A U. S. PERMANENT RESIDENT ALIEN, BORN AND RAISED

IN ARGENTINA. HIS IMMEDIATE FAMILY AND MOST
RELATIVES STILL RESIDE THERE. HE IS CURRENTLY WORKING
ON A PH.D. IN SOCIAL SCIENCE AT A U. S. UNIVERSITY. HE
HAS FURNISHED RELIABLE INFORMATION IN THE PAST. INFORMATION
CONTAINED IN THIS REPORT IS BASED UPON OBSERVATIONS MADE
DURING RECENT TRAVEL TO ARGENTINA AND REMARKS MADE BY A
CLOSE RELATIVE WHO WAS ASSOCIATED WITH THE ARGENTINE MINISTRY
OF ECONOMY DURING THE FIRST MILITARY JUNTA. *Mr. g*

TEXT: ACCORDING TO ARGENTINE ECONOMIST EDUARDO SETTI,

PART OF ARGENTINA'S EXTERNAL DEBT IS FICTITIOUS AND
SHOULD NOT BE PAID. RADICAL PARTY ECONOMISTS BELIEVE THAT
NEARLY 40 TO 50 PERCENT OF ARGENTINA'S FOREIGN DEBT IS ILLEG-
ITIMATE. A REPORT, RECENTLY LEAKED TO THE PUBLIC STATES THAT
BETWEEN JUNE, 1980 AND MARCH, 1981, BORROWERS WITH OFFICE
QUARTERS IN ARGENTINA BOUGHT CHEAP DOLLARS IN THE FREE
EXCHANGE MARKET FOR THE STATED PURPOSE OF MEETING THEIR COMMIT-
MENTS TO FOREIGN CREDITORS. AT THE SAME TIME THE BORROWERS LET
THEIR COMMITMENTS, DULY REGISTERED WITH THE CENTRAL BANK
OF ARGENTINA, REMAIN TAGGED, "TO BE PAID," OR IN OTHER

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WORDS, NOT YET SATISFIED. (SOURCE COMMENT: THE SO CALLED

20 "CHEAP DOLLAR" IS A PHENOMENON THAT HAD PREVIOUSLY OCCURRED
18 IN ARGENTINA WHEN MARTINEZ DE HOZ WAS IN CHARGE OF THE
ECONOMY. CURRENT AUTHORITIES ARE STUDYING WHETHER TO INDICT
16 MARTINEZ DE HOZ ON CHARGES THAT HIS ECONOMIC POLICIES WERE
CONTRARY TO THE NATIONAL INTERESTS. FOR SEVERAL YEARS,
14 DURING THE TIME MARTINEZ DE HOZ WAS RUNNING THE ECONOMY,
THE CENTRAL BANK OF ARGENTINA SPENT DOLLARS TO BUY ARGENTINE
12 CURRENCY. THE EFFECT OF THIS WAS TO INFLATE THE VALUE OF THE
ARGENTINE PESO. IN THE PROCESS, THE BANK DIVESTED ITSELF
10 OF MORE THAN HALF ITS DOLLAR RESERVES.

IT IS QUESTIONABLE WHETHER THOSE WHO PERFORMED THESE
8 TYPE OF ILLEGAL TRANSACTIONS CAN BE IDENTIFIED. IT HAS
NOT BEEN DETERMINED, OR LEAKED TO THE PUBLIC, WHO THE
6 BENEFICIARIES OF THESE TRANSACTIONS WOULD BE. IF THE
TRANSACTIONS AMOUNTED TO HALF OF ARGENTINA'S FOREIGN DEBT,
4 THAT IS ABOUT \$20 BILLION, A MAJOR FINANCIAL SCANDAL MIGHT
BE BREWING.]

2 ONE OF THE PROMISES MADE BY THE RADICAL PARTY DURING
THE ELECTION CAMPAIGN WAS THAT THE "ILLEGITIMATE DEBT"

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WOULD NOT BE PAID. PRESIDENT ALFONSIN, ON THE OTHER HAND,
HAS REPEATEDLY STATED SINCE TAKING POWER THAT ARGENTINA
WILL HONOR ITS COMMITMENTS. MINISTER OF ECONOMY GRINSPUN
HAS BEEN ASKED WHAT THE POSITION OF THE GOVERNMENT WOULD BE
IF IT CAN BE DEMONSTRATED THAT HALF OF THE EXTERNAL DEBT
IS "FICTITIOUS." GRINSPUN SAID THAT ARGENTINA WILL HONOR
ITS COMMITMENTS BUT THAT THE GOVERNMENT IS COMMITTED TO
UPHOLD AND TO MAKE OTHERS UPHOLD THE LAW. {SOURCE COMMENT:
ESSENTIALLY, GRINSPUN IMPLIED THAT THE GOVERNMENT WILL
NOT HONOR COMMITMENTS THAT ARE A CONSEQUENCE OF EMBEZZLEMENT
OR DOUBLE PAYMENTS.}

AT PRESENT, THE FORMER MAYOR OF THE CITY OF BUENOS
AIRES, BRIGADIER MAJOR O. ACCIATORE ¹¹⁷²⁴ IS ON TRIAL. THE
CHARGES AGAINST HIM HAVE TO DO WITH PAYMENTS THAT THE CITY
OF BUENOS AIRES MADE TO PARQUES INTERAMA, S.A. IN THE
AMOUNT OF APPROXIMATELY \$168 MILLION. ACCORDING TO THE
EXISTING CONTRACT, PARQUES INTERAMA WAS NOT ENTITLED TO
SUCH PAYMENTS. PRESUMABLY FRAUD WAS COMMITTED AND THE
BENEFICIARIES OF THIS WOULD HAVE BEEN ACCIATORE, THREE
OF FOUR ADDITIONAL EMPLOYEES OF CITY HALL WHO OVERSAW THE

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TRANSACTIONS, AND PARQUES INTERAMA. (SOURCE COMMENT: THIS IS
AN EXAMPLE OF THE TYPE OF MANEUVERS THAT HAVE INFLATED THE
EXTERNAL DEBT.)

THE GOVERNMENT, AS OF JANUARY, 1984, HAS NOT BEEN
ABLE TO ATTACH A PRECISE FIGURE TO THE EXTERNAL DEBT INCURRED
BY THE PRIVATE SECTOR. PART OF THE REASON FOR THIS IS
THE FACT THAT AT THE END OF 1982, THE CENTRAL BANK OF
ARGENTINA REQUIRED BORROWERS WHO HAD COMMITMENTS WITH FOREIGN
CREDITORS TO USE ARGENTINE PESOS TO REPAY THEIR DEBTS THROUGH
THE CENTRAL BANK OF ARGENTINA. ONCE THE BANK RECEIVED
THE PAYMENT IN PESOS, IT WAS SUPPOSED TO TRANSFER THE
CORRESPONDING AMOUNT OF DOLLARS ABROAD. LOCAL BORROWERS NOW
ALLEGED THAT THEY HAVE ALREADY SATISFIED THEIR OBLIGATIONS,
EVEN IF THEIR LOANS APPEAR TO BE OUTSTANDING AT THE BANK.
THE LOCAL BORROWERS MAINTAIN THAT THEIR LOANS WOULD APPEAR
OUTSTANDING BECAUSE OF POOR BOOKKEEPING OR CRIMINAL MANEUVERS
BY THE CENTRAL BANK OR THE CREDITORS ABROAD.

(SOURCE COMMENT: ARGENTINA'S EXTERNAL DEBT WILL
NOT BE PAID. FOR 1984, 60 PERCENT OF THE EXPORTS WILL BE
AGRICULTURAL PRODUCTS. TOTAL EXPORTS SHOULD YIELD \$9.5

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BILLION, WHILE IMPORTS WILL REACH \$6 BILLION. THIS WOULD
GIVE A SURPLUS OF \$3.5 BILLION IN THE BALANCE OF TRADE.
HOWEVER, FINANCIAL CHARGES ASSOCIATED WITH THE EXTERNAL
DEBT ARE ESTIMATED TO BE \$5.8 BILLION, WHICH RESULTS IN
A DEFICIT OF \$2.3 BILLION. PRIVATE BANKERS ABROAD ARE NOT
LIKELY TO APPROVE OF ARGENTINA'S NEW POLICIES TO DISCOURAGE
OR BAN IMPORTS AND TO INCREASE TAXES. NEVERTHELESS, UNLESS
SOME VERY LENIENT RESCHEDULING SETTLEMENT IS REACHED FAIRLY
SOON, ARGENTINA WILL SPEND THE FORESEEABLE FUTURE CLINGING
TO SOLVENCY BY ITS FINGERNAILS AND A CONSIDERABLE PORTION
OF GRINSPUN'S TIME WILL BE SPENT TRYING TO PERSUADE BANKERS
TO GIVE HIM A BIT MORE TIME. THE NERVOUSNESS THIS WILL
GENERATE WILL HAVE A NEGATIVE EFFECT ON ARGENTINA'S ECONOMIC
PROGRESS AND ITS ABILITY TO OVERCOME DESTABILIZING FORCES.
SHOULD BANKERS SQUEEZE SO HARD AS TO BRING ABOUT THE DEMISE
OF THE NEW GOVERNMENT, THEY MIGHT FIND THE PEOPLE WHO WOULD
REPLACE THE GOVERNMENT EVEN MORE DIFFICULT TO DEAL WITH.}

~~C BY 857, DECL: OADR~~

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